

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00
SSO-00 ICAE-00 INRE-00 SOE-02 AID-05 CEA-01
COME-00 EB-08 DOE-15 H-01 INR-10 INT-05 L-03
OMB-01 PM-05 OES-07 SP-02 SS-15 STR-07 TRSE-00
ACDA-12 DOEE-00 PA-01 FRB-03 XMB-02 OPIC-03
LAB-04 SIL-01 /126 W
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O R 150400Z MAY 78
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC IMMEDIATE 1917
INFO AMCONSUL ADANA
AMCONSUL ISTANBUL
AMCONSUL IZMIR

C O N F I D E N T I A L SECTION 1 OF 2 ANKARA 3691

E.O. 11652: GDS
TAGS: EFIN, ENRG, EINV, PFOR, TU
SUBJECT: MOBIL OIL AND REPEAL OF THE EMBARGO

SUMMARY. ECON/COM COUNSELOR CALLED ON MFA DEPUTY SECRETARY GENERAL FOR BILATERAL RELATIONS MAY 11 TO INFORM HIM OF EMBASSY'S CONCERN THAT TURKISH GOVERNMENT'S CANCELLATION OF REFINERY CERTIFICATE OF ATAS REFINERY, 51-PERCENT OWNED BY MOBIL REFINERY COMPANY, COULD COMPLICATE ADMINISTRATION'S EFFORTS TO EFFECT REPEAL BY THE CONGRESS OF MILITARY SALES EMBARGO AGAINST TURKEY. PRESIDENT OF MOBIL TURK A.S. INFORMED AMBASSADOR AND COUNSELOR IN SEPARATE TALKS MAY 8 AND 9 THAT HE HAD LATELY CONCLUDED THAT TURKISH GOVERNMENT INTENDS TO CARRY OUT ITS WRITTEN WARNING OF FEBRUARY 24 THAT IT WOULD CANCEL REFINERY CERTIFICATE UNLESS MOBIL, BP, SHELL, AND MARMARA PETROL BEGAN TO OPERATE ATAS AT FULL CAPACITY ON REGULAR BASIS WITHIN 90 DAYS. DEPUTY SECRETARY GENERAL SAID MATTER HAD NOT COME TO HIS ATTENTION EXCEPT THROUGH A FEW NEWSPAPER REFERENCES. HE FULLY AGREED THAT PROBLEM HAD SERIOUS IMPLICATIONS FOR
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CONGRESSIONAL ATTITUDE TOWARD LIFTING EMBARGO AND INDICATED THAT HE WOULD IMMEDIATELY SEND NOTE ON THIS MATTER TO MINISTER OF FOREIGN AFFAIRS, BRING HIS CONCERNS TO ATTENTION OF MINISTRY'S ACTING SECRETARY GENERAL, AND TALK TO UNDER SECRETARY OF ENERGY. END SUMMARY.

1. IN MEETINGS WITH AMBASSADOR MAY 8 IN ISTANBUL AND WITH

ECON/COM COUNSELOR MAY 9 IN ANKARA MARC CASANOVA, PRESIDENT, MOBIL TURK A.S., SOUGHT EMBASSY'S ASSISTANCE IN OBTAINING REVERSAL OF WRITTEN NOTIFICATION OF FEBRUARY 24 THAT GOVERNMENT WOULD CANCEL ATAS REFINERY CERTIFICATE IF MOBIL, BP, SHELL, AND MARMARA PETROL, WHICH JOINTLY OPERATE THE REFINERY, DID NOT SUPPLY SUFFICIENT CRUDE OIL TO RUN IT AT FULL CAPACITY ON REGULAR BASIS WITHIN 90 DAYS. GOT OWES MOBIL \$120 MILLION FOR CRUDE DELIVERIES ALREADY MADE, \$90 MILLION OF WHICH IS PAST DUE, CASANOVA SAID, AND THE COMPANY HAS OTHER LARGE FINANCIAL PROBLEMS WITH GOT. MOBIL'S US HEADQUARTERS IS UNWILLING TO INCREASE THE DEBT OUTSTANDING. AFTER FUTILE EFFORTS SINCE FEBRUARY TO OBTAIN GOT RECONSIDERATION OF THIS ULTIMATUM THROUGH APPEAL TO GENERAL DIRECTOR OF PETROLEUM AFFAIRS AND OTHER OFFICIALS OF MINISTRY OF ENERGY, INCLUDING MINISTER DENIZ BAYKAL, CASANOVA HAS FINALLY CONCLUDED THAT GOT MEANS TO ACT AND THAT, IF IT DOES, IT WILL ATTEMPT TO BUY OUT MOBIL'S INTEREST AT ORIGINAL COST.

2. AS FIRST STEP IN RESPONDING TO MOBIL, AND, MORE ESPECIALLY, IN HEADING OFF POSSIBLY UNFORTUNATE IMPACT OF THIS MOVE ON CONGRESSIONAL ATTITUDES TOWARD LIFTING EMBARGO, E/C COUNSELOR CALLED ON BEHIC HAZAR, DEPUTY DIRECTOR OF BILATERAL RELATIONS, MFA, MAY 11. AFTER REVIEWING HISTORY OF THE MATTER, SHE INDICATED THAT PURPOSE OF THE VISIT WAS TO MAKE SURE THAT MFA WAS FULLY AWARE OF THE POSSIBLE IMPLICATIONS OF A CANCELLATION OF THE CERTIFICATE MAY 28 ON SUBSEQUENT HOUSE CONFIDENTIAL

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AND SENATE FLOOR VOTES ON REPEAL OF THE EMBARGO. EMBASSY'S CONCERN WAS THAT THIS PROBLEM MIGHT ATTRACT PUBLIC ATTENTION IN THE US AND CAUSE MEMBERS OF CONGRESS WHO MIGHT OTHERSISE SUPPORT REPEAL TO VOTE AGAINST IT.

3. HAZAR LISTENED ATTENTIVELY AND MADE NOTES. HE APPEARED TO BE IMPRESSED BY THE DIFFICULTIES MOBIL HAS ENCOUNTERED IN TURKEY: SIZABLE DEBT FOR PAST OIL DELIVERIES; LOSS SUFFERED BY COMPANY ON ALL CRUDE OIL THAT IT IMPORTS DUE TO REQUIREMENT THAT IT SELL IN TURKEY BELOW OPEC PRICES; TIE-UP OF ITS LOCAL CURRENCY RESOURCES IN DEPOSITS OF THE TURKISH-LIRA EQUIVALENT OF ITS ACCUMULATED FOREIGN-EXCHANGE TRANSFER APPLICATIONS; ITS INABILITY, THEREFORE, FOR LACK OF LIRAS, TO DEPOSIT RATE DIFFERENTIAL, FOLLOWING DEVALUATION OF MARCH 1, ON ITS FOREIGN-EXCHANGE APPLICATIONS, ETC.

4. HE AGREED FULLY THAT A MOVE MAY 28 WOULD NOT BE DESIRABLE POLITICALLY. HAZAR SAID THAT HE WOULD SEND A MEMORANDUM TO THE FOREIGN MINISTER IMMEDIATELY ON THIS SUBJECT, BRING IT TO THE ATTENTION OF THE ACTING SECRETARY GENERAL IN THE MINISTRY, PERTEV SUBASI, AND TALK TO THE UNDER SECRETARY OF ENERGY, SUHA SOMER.

5. COMMENT. EMBASSY DOES NOT KNOW WHETHER PRIMARY MOTIVATION OF GOT IS DESIRE TO ACQUIRE REFINERY OR DESIRE TO KEEP IT OPERATING AT FULL CAPACITY. MOBIL SUSPECTS THE FORMER SINCE GOT WOULD BE IN NO BETTER POSITION THAN THE OIL COMPANIES TO SUPPLY THE NECESSARY CRUDE. IF IT IS IN FACT THE FORMER, THEN MOBIL'S SITUATION IN TURKEY IS PRECARIOUS WHETHER OR NOT THE EMBARGO IS LIFTED. IF IT IS THE LATTER, THEN MOBIL MAY BE OVERLOOKING POSSIBLE HELP ALSO FROM THE MINISTRY OF FINANCE.

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C O N F I D E N T I A L SECTION 2 OF 2 ANKARA 3691

6. IN SOCIAL CONVERSATION WITH EDWARD MAY, MOBIL GENERAL MANAGER IN ANKARA, MAY 12, E/C COUNSELOR AND COMMERCIAL ATTACHE INQUIRED WHETHER OR NOT MOBIL HAD PROPOSED TO TURKISH AUTHORITIES A SPECIFIC PLAN FOR RESCHEDULING THE ARREARS DUE IT. WE KNOW FROM CASANOVA THAT MOBIL TOLD THE TURKS A COUPLE OF MONTHS AGO THAT IT WOULD BE WILLING TO CONSIDER A PROPOSAL, IF THE TURKS REPEAT TURKS WISHED TO MAKE ONE, FOR RESCHEDULING THE ARREARS FOR SIX MONTHS OR A YEAR WITH NO INTEREST TO BE PAID IN THE INTERIM. EMBOFFS SUGGESTED TO MAY THAT IT MIGHT BE USEFUL FOR MOBIL ITSELF TO MAKE A SPECIFIC REFINANCING OFFER TO THE MINISTRY OF FINANCE, ESPECIALLY TO TREASURY SECRETARY GENERAL VURAL GUCSAVAS OR DIRECTOR GENERAL FOR FOREIGN FINANCING Aysel Oymen, WITH AGREEMENT TO BE REACHED ALSO ON PAYMENT OF NEW DELIVERIES.

7. MAY SAID THAT ENERGY MINISTER TO WHOM CASANOVA HAD OFFERED TO TALK ABOUT RESCHEDULING HAD NEVER BEEN WILLING TO SIT DOWN TO DISCUSS IT. WHILE LACK OF RESPONSE COULD
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SUPPORT VIEW THAT ENERGY PEOPLE MAY BE MORE INTERESTED IN TAKING OVER THE REFINERY THAN IN SEEING IT SUPPLIED TO OPERATE AT FULL CAPACITY, IT COULD ALSO SIMPLY REFLECT FACT THAT THEY FORESAW NO MEANS OF REPAYING IN SIX MONTHS OR A YEAR AND REGARDED MOBIL'S OFFER TO LISTEN TO A TURKISH PROPOSAL ON SUCH TERMS AS A NON-STARTER.

8. EMBOFFS SUGGESTED TO MAY, AND WILL SUGGEST TO CASANOVA ON MONDAY, THAT OFFICIALS OF THE MINISTRY OF FINANCE MIGHT BE CATALYSTS IN SETTLING THIS PROBLEM. THEY HAVE THE DECIDELY DIFFICULT TASK OF PRESENTING TO IMF BY NOVEMBER 1 A SCHEDULE FOR THE ELIMINATION OF ARREARS AND THEY ARE UNDER IMF INJUNCTION NOT TO ADD TO THEIR ARREARS. WE KNOW THAT CITIBANK HAS DISCUSSED WITH MOBIL POSSIBLE CITIBANK LOAN TO CENTRAL BANK, TO BE GUARANTEED BY MOBIL AND USED TO REFINANCE TURKISH ARREARS TO THE COMPANY. (TERMS: THREE-YEAR GRACE PERIOD, FOUR-YEAR REPAYMENT PERIOD.) OYMEN HAS INDICATED, WITH THE USUAL TURKISH OPTIMISM, THAT SHE IS COUNTING ON THE BANKS TO REFINANCE GOT'S ARREARS TO THE MULTINATIONALS ALONG THESE LINES.

9. EMBASSY HAS IMPRESSION THAT ATAS MATTER HAS NOT BEEN COORDINATED AMONG ALL THE MINISTRIES HAVING STAKE IN IT. IT COULD BE THAT MINISTRIES OF FINANCE AND FOREIGN AFFAIRS HAVE MORE URGENT INTEREST IN THIS PROBLEM THAN MINISTRY OF ENERGY. WE WILL EXPLORE THIS POSSIBILITY. IT ALSO REMAINS TO BE SEEN WHETHER MOBIL AND OTHER BIG COMPANIES, WHICH REALLY HAVE NO OTHER CHOICE, WILL OFFER RESCHEDULING --- IN MOBIL'S CASE, A RESCHEDULING THAT COULD PRESERVE ITS INVESTMENT POSITION IN TURKEY.

10. REPRESENTATION TO HAZAR WAS MADE BEFORE EMBASSY RECEIVED STATE 122196. WE WILL MAKE FURTHER APPROACH, EMPHASIZING POINTS
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IN THAT CABLE, ESPECIALLY THOSE IN LAST TWO SENTENCES OF PARAGRAPH 3. SPIERS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, EMBARGOES, PETROLEUM REFINING
Control Number: n/a
Copy: SINGLE
Draft Date: 15 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978ANKARA03691
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
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Litigation Codes:
Litigation History:
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Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 09 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2696566
Secure: OPEN
Status: NATIVE
Subject: MOBIL OIL AND REPEAL OF THE EMBARGO SUMMARY. ECON/COM COUNSELOR CALLED ON MFA DEPUTY SECRETARY GENERAL FOR BILATERAL RELATIONS MAY 11 TO INFORM H
TAGS: EFIN, ENRG, EINV, PFOR, ECON, TU, MOBIL
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/d79e1c9f-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014